

**CITY OF HAYWARD, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

CITY OF HAYWARD, MINNESOTA

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December 31, 2020

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable City Council  
City of Hayward, Minnesota  
Hayward, Minnesota 56043

We have audited the accompanying financial statements of the City of Hayward, Minnesota as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Minimum Reporting Requirements for Cities Under 2,500 in Population as required by the Office of the State Auditor, Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidenced we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1, the City of Hayward, Minnesota prepares its financial statements in accordance with the Minimum Reporting Requirements for Cities Under 2,500 in Population as required by the Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Office of the State Auditor.

The effect on the financial statements of the variances between these accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

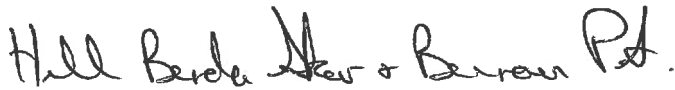
In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Hayward as of December 31, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended. Further the City of Hayward has not presented a management’s discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements

### **Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Hayward, MN, as of December 31, 2020 and the revenues it received and expenditures it paid for the year then ended, in accordance with the financial reporting provisions of Minimum Reporting Requirements for Cities Under 2,500 in Population as required by the Office of the State Auditor as described in Note 1.

### **Other-Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary statements and schedules listed in the table of contents is presented as required by the State of Minnesota. The accompanying supplementary statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects to the financial statements taken as a whole.



Hill, Benda, Skov & Bernau, P.A.

April 12, 2021

**BASIC FUND FINANCIAL STATEMENTS**

CITY OF HAYWARD, MINNESOTA  
**Statement of Balances Arising From Cash Transactions**  
**GOVERNMENTAL FUNDS**  
For the year ended December 31, 2020

	General Fund	Fire Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 136,649	\$ 238,312	\$ 349,150	\$ 35,709	\$ 759,820
Investments	119,840	-	-	-	119,840
Total Assets	<u>\$ 256,489</u>	<u>\$ 238,312</u>	<u>\$ 349,150</u>	<u>\$ 35,709</u>	<u>\$ 879,660</u>
<b>Cash Fund Balance</b>					
Committed for					
Fire protection	\$ -	\$ 89,090	\$ -	\$ -	\$ 89,090
Equipment	-	32,210	-	-	32,210
Street Repairs	-	-	161,250	-	161,250
Restricted for					
Debt service	-	-	-	35,709	35,709
Fire department gear & air packs	-	117,012	-	-	117,012
Assigned for					
City Equipment	8,475	-	-	-	8,475
Park Improvements	5,000	-	-	-	5,000
Civil Defense	5,000	-	-	-	5,000
Unassigned	238,014	-	187,900	-	425,914
Total Cash Fund Balances	<u>\$ 256,489</u>	<u>\$ 238,312</u>	<u>\$ 349,150</u>	<u>\$ 35,709</u>	<u>\$ 879,660</u>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Statement of Cash Receipts, Disbursements, and Changes in Fund Balances**  
**GOVERNMENTAL FUNDS**

For the year ended December 31, 2020

	<b>General Fund</b>	<b>Fire Fund</b>	<b>Street Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts:</b>					
Property taxes	\$ 101,218	\$ 4,802	\$ 58,685	\$ 13,333	\$ 178,038
Franchise fees	1,263	-			1,263
Grant		134,523	-	-	134,523
Intergovernmental	60,015	14,763	-	-	74,778
Donations	-	20,100	-	-	20,100
Interest income	1,481	-	-	-	1,481
Charges for services	14,730	-	-	-	14,730
Township fire contracts and firecalls	-	39,043	-	-	39,043
Miscellaneous	2,489	-	250	-	2,739
Total receipts	<u>181,196</u>	<u>213,231</u>	<u>58,935</u>	<u>13,333</u>	<u>466,695</u>
<b>Disbursements:</b>					
Current					
General government	132,849	-	-	-	132,849
Streets and highways	-	-	19,371	-	19,371
Public safety	-	38,353	-	-	38,353
Capital outlay	-	16,512	3,787	-	20,299
Debt service:					
Principal	64,658	65,657	-	11,000	141,315
Interest and other charges	2,798	1,051	-	2,741	6,590
Total disbursements	<u>200,305</u>	<u>121,573</u>	<u>23,158</u>	<u>13,741</u>	<u>358,777</u>
Excess of receipts over disbursements	<u>(19,109)</u>	<u>91,658</u>	<u>35,777</u>	<u>(408)</u>	<u>107,918</u>
<b>Other financing sources (uses)</b>					
Freeborn Mower Coop Services Loan	-	-	-	-	-
Hayward Township contribution	52,325	52,325	-	-	104,650
Total other financing sources (uses)	<u>52,325</u>	<u>52,325</u>	<u>-</u>	<u>-</u>	<u>104,650</u>
Net change in cash fund balances	33,216	143,983	35,777	(408)	212,568
Fund balance, beginning of year	<u>223,273</u>	<u>94,329</u>	<u>313,373</u>	<u>36,117</u>	<u>667,092</u>
Fund balance, end of year	<u>\$ 256,489</u>	<u>\$ 238,312</u>	<u>\$ 349,150</u>	<u>\$ 35,709</u>	<u>\$ 879,660</u>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Statement of Balances Arising From Cash Transactions**  
**PROPRIETARY FUNDS**  
For the year ended December 31, 2020

	<b>Enterprise Funds</b>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b>Assets:</b>			
Current assets:			
Cash	\$ 142,155	\$ 49,864	\$ 192,019
Total assets	<u>\$ 142,155</u>	<u>\$ 49,864</u>	<u>\$ 192,019</u>
 <b>Net Position:</b>			
Restricted for debt service	\$ 20,197	\$ -	\$ 20,197
Unrestricted-net assets	<u>121,958</u>	<u>49,864</u>	<u>171,822</u>
 Total Net Position	<u><u>\$ 142,155</u></u>	<u><u>\$ 49,864</u></u>	<u><u>\$ 192,019</u></u>

*See accompanying notes to financial statements*



CITY OF HAYWARD, MINNESOTA  
**Statement of Receipts, Disbursements, and Changes in Net Position**  
**PROPRIETARY FUNDS**  
For the year ended December 31, 2020

	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Operating receipts</b>			
User charges	\$ 63,659	\$ 55,070	\$ 118,729
Property taxes	-	3,200	3,200
Late fees	1,077	-	1,077
<b>Total operating receipts</b>	<b>64,736</b>	<b>58,270</b>	<b>123,006</b>
<b>Operating disbursements</b>			
Wages	13,550	15,906	29,456
Payroll tax	1,037	1,217	2,254
Testing	-	1,760	1,760
Supplies	-	2,934	2,934
Fees, dues and permits	2,355	41	2,396
Legal and professional	1,484	1,484	2,968
Repairs and maintenance	8,369	12,106	20,475
Insurance	1,078	2,978	4,056
Utilities	6,555	2,967	9,522
Miscellaneous	476	685	1,161
<b>Total operating disbursements</b>	<b>34,904</b>	<b>42,078</b>	<b>76,982</b>
<b>Operating income (loss)</b>	<b>29,832</b>	<b>16,192</b>	<b>46,024</b>
<b>Nonoperating Receipts (Disbursements)</b>			
Interest income	-	2,633	2,633
Capital Outlay	-	(23,872)	(23,872)
Interest expense	(2,980)	(1,268)	(4,248)
Debt principal	(11,000)	(11,000)	(22,000)
<b>Total Nonoperating Receipts (Disbursements)</b>	<b>(13,980)</b>	<b>(33,507)</b>	<b>(47,487)</b>
<b>Change in net position</b>	<b>15,852</b>	<b>(17,315)</b>	<b>(1,463)</b>
Total net cash position, beginning of year	126,303	67,179	193,482
Total net cash position, end of year	<u>\$ 142,155</u>	<u>\$ 49,864</u>	<u>\$ 192,019</u>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Statement of Cash Flows - Cash Basis**  
**PROPRIETARY FUNDS**  
For the year ended December 31, 2020

	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 64,736	\$ 58,270	\$ 123,006
Payments to suppliers	(20,317)	(24,955)	(45,272)
Payments to employees	(14,587)	(17,123)	(31,710)
Net cash provided by operating activities	<u>29,832</u>	<u>16,192</u>	<u>46,024</u>
<b>Cash flows from capital and related financing activities</b>			
Capital outlay	-	(23,872)	(23,872)
Interest income	-	2,633	2,633
Principal paid on capital debt	(11,000)	(11,000)	(22,000)
Interest paid on capital debt	(2,980)	(1,268)	(4,248)
Net cash provided by (used in) capital and related financing activities	<u>(13,980)</u>	<u>(33,507)</u>	<u>(47,487)</u>
Net increase (decrease) in cash and cash equivalents	15,852	(17,315)	(1,463)
Cash balances - beginning of year	<u>126,303</u>	<u>67,179</u>	<u>193,482</u>
Cash balances - end of year	<u>\$ 142,155</u>	<u>\$ 49,864</u>	<u>\$ 192,019</u>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents	<u>\$ 142,155</u>	<u>\$ 49,864</u>	<u>\$ 192,019</u>
Total cash and cash equivalents - end of year	<u>\$ 142,155</u>	<u>\$ 49,864</u>	<u>\$ 192,019</u>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The City utilizes a combined clerk-treasurer position. The City has no component units that meet the GASB criteria.

The City's financial statements for financial reporting purposes include all funds over which the City Council exercises oversight responsibility.

Oversight responsibility includes such aspects as appointment of governing body members, budget review, approval of property tax levies, securing of outstanding debt by the City's full faith and credit, and responsibility for funding.

**B. Fund Accounting**

The accounts of the City are organized on the basis of funds each of which is considered a separate accounting entity. The various funds are grouped in the financial statements as follows:

Major Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The City's Special Revenue Fund and purpose is as follows:

Fire Fund - This fund is used to account for the revenues from the township fire contracts and firecalls and intergovernmental state aid used to fund the operation of the fire department and their related expenditures for fire protection.

Street Fund - This fund is used to account for tax monies levied by the City on the community's residents and their related expenditures for construction, repair, upkeep and maintenance of city streets.

Non Major Governmental Funds

Debt Service Funds - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long term debt principal and interest. The resources for payment are obtained through tax levies, special assessments and user charges.

Major Enterprise Funds

Water and Sewer Funds - The Water and Sewer Funds are used to account for the cost of providing water and sewer services to the general public, the costs of which are to be financed or recovered primarily through user charges.

CITY OF HAYWARD, MINNESOTA  
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The Governmental Funds and Proprietary Funds are not combined at any point in the financial reporting.

C. Basis of Accounting

The City of Hayward, Minnesota, follows the regulatory basis of accounting for all funds. The financial statements were prepared on the regulatory basis and accordingly, revenues and expenditures are recognized only as cash is received or paid out. These statements do not give effect to receivables, payables, accrued expenses and inventories and accordingly, are not presented in accordance with generally accepted accounting principles. Accrual basis financial statements for the Water and Sewer Fund are presented in the accompanying information. These procedures are in accordance with the State Auditor's manual on Minimum Reporting Requirements for Cities Under 2,500 in Population, which are reporting on the regulatory or proprietary basis of accounting. This manual was issued on December 17, 2004 and represents a change from the previous reporting requirements.

D. Statement Presentation

Under the new statement presentation for minimum reporting requirements for cities under 2,500 in population, the water and sewer funds are removed from the primary financial statement since they are proprietary funds. The primary statements are grouped by primary operating, special revenue, debt service and in total they are referred to as governmental funds. The budget comparison statements now appear later in the report. The water and sewer funds are called proprietary funds and they are of a business activity in nature. Since they are proprietary funds an accrual basis statement is required in addition to the cash basis statements.

E. Budgets

Budgets are prepared on the regulatory basis of accounting. Budgeted amounts are as originally adopted or as amended by the City Council.

F. Fixed Assets

The City does not maintain records of general fixed assets. Capital outlays for property, equipment, and construction costs are charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. Accordingly, the accompanying financial statements are not intended to present results of operations in conformity with generally accepted accounting principles.

G. Property Tax Revenue Recognition

The City records property tax revenue in the year received. In Minnesota, counties act as collection agents for all property taxes. Taxes levied become a lien on the property on January 1. Real property taxes are generally due from taxpayers in equal installments on May 15 and October 15.

H. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the City considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

CITY OF HAYWARD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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J. Private-Sector Standards

Private-Sector Standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the Utility enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

K. Operating and Nonoperating Items

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

L. Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* – This category includes fund balances that cannot be spent because it is either not in spendable form, or is legally or contractually required to be maintained intact. Examples include inventories and pre-paid accounts.

*Restricted* – Fund balances are reported as restricted when constraints placed on those resources are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

*Committed* – Fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to commit those amounts.

*Assigned* – Fund balances that are constrained by the government's intent to use for specified purposes, but are neither restricted nor committed. Assigned fund balance in the General Fund includes amounts that are intended to be used for specific purposes. In the General Fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adapted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Clerk/Treasurer.

*Unassigned* – Unassigned fund balance represents the residual classification for the General Fund. It includes amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

When both restricted and unrestricted resource are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the City's policy to first use committed resources, then assigned resources, and then use unassigned resources as they are needed.

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The City has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain a minimum unassigned fund balance of not less than 40% of the next year's budgeted General Fund expenditures. This will assist in maintaining an adequate level of fund balance to provide for cash flow requirements and contingency needs, because major revenues including property taxes and other government aids are typically received in the second half of the year.

**Note 2. Cash and Investments**

Deposits and investments

The City's total cash and investments are reported as follows:

Primary government	
Cash and CDs	\$ 879,660
Business-type fund activities	
Cash and CDs	<u>192,019</u>
Total Cash and CDs	<u><u>\$ 1,071,679</u></u>

A. Deposits

Minn. Stat. 118A.02 and 118A.04 authorize the City to designate a depository for public funds. Minn. Stat. 118A.03 requires that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standby letters of credits issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City's policy is to have all accounts collateralized in excess of the FDIC coverage. As of December 31, 2020 the City's deposits were not exposed to custodial credit risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to invest only in Certificates of deposit covered by FDIC insurance.

Concentration of Credit Risk

The concentration of credit risk is the risk of the loss that may be caused by the City's investment in a single issuer. The City has not diversified its investments but is relying on the stability of the U.S. Government. All of the City's cash and investments are at Produce State Bank.

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Collateral Detail

Deposits - In accordance with Minnesota statutes, the City maintains deposits at a depository bank, authorized by the city council, which is a member of the Federal Reserve System. Minnesota statutes require that all city deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the city clerk or in a financial institution other than that furnishing the collateral.

The checking account earns interest at 0.15%, savings account earns interest at 0.15% and certificate of deposits earn interest at 0.30% to 0.80%.

Balances at December 31, 2020:

	<u>Bank Balances</u>	<u>Carrying Amount</u>
(1) Insured or collateralized by securities held by the City or its agent in the City's name	\$ -	\$ -
(2) Insured or collateralized with securities held by the pledging institution's trust department in the City's name	1,116,365	1,071,679
(3) Uncollateralized or collateralized with securities not in the City's name	-	-
Totals	<u>\$ 1,116,365</u>	<u>\$ 1,071,679</u>

Pooling of Cash

The City makes investments from a "pooled" bank account.

**B. Investments**

The City has no investments. The CD's are covered by FDIC insurance and are considered deposits which are covered in item A above.

**Note 3. Defined Benefit Pension Plans - Statewide**

**A. Plan Description**

There are two employees of the City of Hayward covered by a defined benefit plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (accounted for in the General Employees Fund), the Public Employees Police and Fire Retirement Plan (Police and Fire Plan accounted for in the Police and Fire Fund), and the Local Government Correctional Service Retirement Plan, called the Public Employees Correctional Plan (accounted for in the Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters

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and peace officers who qualify for membership by statute are covered by the Police and Fire Plan. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the Correctional Plan.

PERA provides retirement benefits as well as disability benefits to members and survivor benefits upon death of eligible members. Benefits are established by State Statute. Benefits for members of the General Employees Plan vest after five years of credited service. Benefits for the Police and Fire Plan vest on a prorated basis from 50 percent after 10 years up to 100 percent after 20 years. In the Correctional Plan, benefits vest on a prorated basis from 50 percent after 5 years up to 100 percent after 10 years. The defined retirement benefits are based on a members highest average salary for any 60 successive months of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Police and Fire Plan members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for Correctional Plan members.

Normal retirement age is 55 for Police and Fire and Correctional plan members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement with an actuarial reduction in the member's benefit. For all General Employee Plan members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about six percent per year) for members retiring prior to full retirement age.

A full unreduced pension is earned when Police and Fire and Correctional plan members meet the following conditions: age 55 and vested or age plus years of service total at least 90 if first hired prior to July 1, 1989.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which



CITY OF HAYWARD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. PERA issues a publicly available financial report that includes financial statements and required supplementary information for General Employees, Police and Fire, and Correctional plans. That report may be obtained on the PERA's website at [www.mnpera.org](http://www.mnpera.org)

**B. Funding Policy**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.5%, respectively, of their annual covered salary in 2020. Police and Fire Plan members were required to contribute 10.8% of their annual covered salary in 2020 and Correctional Plan members were required to contribute 5.83% of their annual covered salary. In 2020, the City of Hayward was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.5% for Coordinated Plan members, and 16.2% for Police and Fire Plan members, and 8.75% for members of the Correctional Plan.

The City's contributions to the General Employees Fund for the years ending December 31, 2020, 2019, and 2018 were \$7,405, \$7,611, and \$7,060, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2020, 2019, and 2018 were \$ -0-, \$ -0-. And \$ -0-. Respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

**Note 4. Disbursements over Budget**

Disbursements exceeded budgeted amounts in the following funds:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund	132,181	200,305	68,124
1995 Addition Bond	13,333	13,741	408
Fire Fund	45,713	121,573	75,860
Sewer Fund	33,929	65,958	32,021

These items have been reviewed with management and they are aware of the excesses and know which disbursements they relate to.

**Note 5. Deficit Fund Balances**

The city did not have any deficit fund balances at the end of 2020.

CITY OF HAYWARD, MINNESOTA  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020

**Note 6. Long-term Debt**

The following is a summary of debt transactions for the year ended December 31, 2020:

	<u>Debt Outstanding</u>
Balance payable January 1, 2020	\$489,129
Debt issued in 2020	0
Payment on debt	<u>(161,081)</u>
Balance payable December 31, 2020	<u>\$ 328,048</u>

At December 31, 2019, the City had the following debt outstanding:

<u>Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Outstanding Balance 12/31/2020</u>
1995 Third Addition Improvement	5.375%	10/01/1997	01/01/2025	\$ 40,000
2015 General Obligation Revenue Note	1.00%	05/11/2015	08/20/2030	115,872
2019 Freeborn Mower Coop Services	3.25%	05/14/2019	06/01/2029	103,176
2010 General Obligation Water Revenue	4.00%	09/01/2010	02/01/2026	<u>69,000</u>
Total outstanding debt				<u>\$ 328,048</u>

Annual debt service requirements necessary to service the outstanding debt at December 31, 2020, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	56,985	13,375
2022	57,710	11,415
2023	60,460	9,411
2024	52,234	7,309
2025	51,033	5,097
2026 to 2030	49,626	7,638
2031 to 2035	0	0

**Note 7. Enterprise Fund Statements**

In accordance with the state auditor's manual on Minimum Reporting Requirements for Cities Under 2,500 in Population, accrual basis financial statements have been prepared for the City's enterprise funds. These statements are included in the accompanying information. For the purpose of the statement of changes in financial position, cash includes cash in checking and savings.

**Note 8. Risk Management**

The City is exposed to various risks of loss by theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance policies to cover any losses arising from the various risks. There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City's insurance coverage in any of the prior three years.

**Note 9. Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 12, 2021 the date the financial statements were available to be issued.

**SUPPLEMENTARY STATEMENTS AND SCHEDULES**

CITY OF HAYWARD, MINNESOTA  
**Budgetary Comparison Schedule - Cash Basis**  
**GENERAL FUND**  
For the year ended December 31, 2020

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
<b>Receipts:</b>				
<b>Taxes:</b>				
General property taxes	\$ 104,980	\$ 104,980	\$ 101,218	\$ (3,762)
	104,980	104,980	101,218	(3,762)
<b>Intergovernmental revenue:</b>				
State aid:				
Local government aid	37,821	37,821	40,926	3,105
Covid relief aid	-	-	18,910	18,910
Market value credit	120	120	179	59
PERA rate increase aid	72	72	-	(72)
Total Intergovernmental revenue	38,013	38,013	60,015	22,002
<b>Miscellaneous:</b>				
Franchise fee	1,500	1,500	1,263	(237)
Hayward Township contribution	-	-	52,325	52,325
Interest income	100	100	1,481	1,381
Miscellaneous income	500	500	2,489	1,989
Rental income	13,508	13,508	14,730	1,222
Total miscellaneous	15,608	15,608	72,288	56,680
<b>Total receipts</b>	\$ 158,601	\$ 158,601	\$ 233,521	\$ 74,920

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Budgetary Comparison Schedule - Cash Basis**  
**GENERAL FUND**

For the year ended December 31, 2020

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
<b>Disbursements:</b>				
<b>General government:</b>				
Mayor and council salaries	\$ 5,100	\$ 5,100	\$ 3,705	\$ 1,395
Election expense	1,200	1,200	-	1,200
Finance clerk salary	15,000	15,000	13,989	1,011
Insurance	15,100	15,100	13,523	1,577
Wages	46,263	46,263	47,865	(1,602)
Dues, subscriptions and meetings	555	555	644	(89)
Office supplies	2,256	2,256	5,882	(3,626)
Professional fees	7,063	7,063	6,108	955
Supplies and repairs	3,350	3,350	8,126	(4,776)
Fuel, oil, utilities & communication	11,255	11,255	6,637	4,618
Miscellaneous	2,775	2,775	1,088	1,687
Capital expenditure	8,000	8,000	-	8,000
Property tax expense	4,500	4,500	12,302	(7,802)
Payroll taxes and PERA	9,764	9,764	12,980	(3,216)
Total General Government	132,181	132,181	132,849	(668)
Excess of receipts over (under) disbursements	26,420	26,420	100,672	74,252
<b>Other financing sources (uses)</b>				
Interest	-	-	(2,798)	-
Principle payment	-	-	(64,658)	(64,658)
Total other financing sources (uses)	-	-	(67,456)	(64,658)
Net change in cash fund balances	26,420	26,420	33,216	9,594
Fund balance, beginning of year	223,273	223,273	223,273	-
Fund balance, end of year	\$ 249,693	\$ 249,693	\$ 256,489	\$ 6,796

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Combining Statement of Cash Receipts, Disbursement,  
and Changes in Cash Fund Balances**  
**Special Revenue Funds**  
For the year ended December 31, 2020

	<b>Street Fund</b>	<b>Fire Fund</b>	<b>Total Special Revenue Funds</b>
<b>Receipts:</b>			
Property taxes	\$ 58,685	\$ 4,802	\$ 63,487
Donations	-	20,100	20,100
Fire contracts	-	36,043	36,043
Fire calls	-	3,000	3,000
State fire aid	-	13,252	13,252
Grant income	-	136,034	136,034
Other income	250	-	250
<b>Total receipts</b>	<u>58,935</u>	<u>213,231</u>	<u>272,166</u>
<b>Disbursements</b>			
Wages	6,358	1,898	8,256
Fees and licenses	-	694	694
Payroll tax	486	145	631
Repair & maintenance	4,266	2,665	6,931
Legal and professional	1,651	500	2,151
Insurance	109	3,973	4,082
Utilities	6,278	3,132	9,410
Miscellaneous	13	255	268
Education seminars	-	1,975	1,975
Relief Association-donation	-	4,500	4,500
Relief Association-state aid	-	13,252	13,252
Supplies	210	5,364	5,574
<b>Total disbursements</b>	<u>19,371</u>	<u>38,353</u>	<u>57,724</u>
Excess of receipts over (under) disbursements	<u>39,564</u>	<u>174,878</u>	<u>214,442</u>
<b>Other Financing Sources (Uses):</b>			
Principle payment	-	(65,657)	(65,657)
Interest	-	(1,051)	(1,051)
Hayward Township contribution	-	52,325	52,325
Freeborn Mower Coop Services Loan	-	-	-
Capital outlay	(3,787)	(16,512)	(20,299)
<b>Total Other Financing Sources (Uses)</b>	<u>(3,787)</u>	<u>(30,895)</u>	<u>(34,682)</u>
Net Change in Cash Fund Balance	35,777	143,983	179,760
Fund balance, beginning of year	<u>313,373</u>	<u>94,329</u>	<u>407,702</u>
Fund balance, end of year	<u>\$ 349,150</u>	<u>\$ 238,312</u>	<u>\$ 587,462</u>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Combining Statement of Cash Receipts, Disbursement,  
and Changes in Cash Fund Balances**  
**Debt Service Funds**  
For the year ended December 31, 2020

	<u>1995 3rd Addition Debt Fund</u>
<b>Receipts:</b>	
Tax assessments	\$ 13,333
<b>Total receipts</b>	<u>13,333</u>
<b>Disbursements:</b>	
Debt payment	
Principal	11,000
Interest	2,741
<b>Total disbursements</b>	<u>13,741</u>
Excess of receipts over (under) disbursements	<u>(408)</u>
Net Change in Cash Fund Balance	(408)
Fund balance, beginning of year	<u>36,117</u>
Fund balance, end of year	<u>\$ 35,709</u>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Statement of Net Position**  
**PROPRIETARY FUNDS**  
For the year ended December 31, 2020

	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Assets:</b>			
Current Assets:			
Cash and cash equivalents	\$ 142,155	\$ 49,864	\$ 192,019
Accounts receivable	17,969	12,994	30,963
Total Current Assets	<u>160,124</u>	<u>62,858</u>	<u>222,982</u>
Noncurrent Assets:			
Property and equipment	389,821	500,000	889,821
Accumulated depreciation	<u>(322,592)</u>	<u>(220,630)</u>	<u>(543,222)</u>
Total Noncurrent Assets	<u>67,229</u>	<u>279,370</u>	<u>346,599</u>
Total Assets	227,353	342,228	569,581
<b>Liabilities:</b>			
Current Liabilities			
Accounts payable	<u>564</u>	<u>340</u>	<u>904</u>
Total Current Liabilities	564	340	904
Noncurrent Liabilities			
Bonds, Notes and loans payable	<u>69,000</u>	<u>115,872</u>	<u>184,872</u>
Total Liabilities	<u>69,564</u>	<u>116,212</u>	<u>185,776</u>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	(1,771)	163,498	161,727
Unrestricted	<u>159,560</u>	<u>62,518</u>	<u>222,078</u>
Total Net Position	<u>\$ 157,789</u>	<u>\$ 226,016</u>	<u>\$ 383,805</u>

*See accompanying notes to financial statements*



CITY OF HAYWARD, MINNESOTA  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**PROPRIETARY FUNDS**  
For the year ended December 31, 2020

	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Operating Revenues:</b>			
User charges	\$ 62,991	\$ 52,359	\$ 115,350
Property taxes	-	3,200	3,200
Late charges	1,077	-	1,077
<b>Total Operating Receipts</b>	<b>64,068</b>	<b>55,559</b>	<b>119,627</b>
<b>Operating Expenses:</b>			
Wages	13,550	15,906	29,456
Testing	-	1,760	1,760
Insurance	1,078	2,978	4,056
Supplies	-	2,934	2,934
Fees, dues and permits	2,355	41	2,396
Professional fees	1,484	1,484	2,968
Payroll tax	1,037	1,217	2,254
Repairs and maintenance	8,384	12,106	20,490
Utilities	6,553	2,899	9,452
Depreciation	8,792	19,049	27,841
Miscellaneous	476	685	1,161
<b>Total Operating Expenses</b>	<b>43,709</b>	<b>61,059</b>	<b>104,768</b>
<b>Operating Income (loss)</b>	<b>20,359</b>	<b>(5,500)</b>	<b>14,859</b>
<b>Nonoperating Revenue(Expense)</b>			
Interest income	-	2,633	2,633
Interest expense	(2,980)	(1,268)	(4,248)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>(2,980)</b>	<b>1,365</b>	<b>(1,615)</b>
<b>Change in Net Position</b>	<b>17,379</b>	<b>(4,135)</b>	<b>13,244</b>
<b>Total Net Position - Beginning</b>	<b>140,410</b>	<b>230,151</b>	<b>370,561</b>
<b>Total Net Position - Ending</b>	<b>\$ 157,789</b>	<b>\$ 226,016</b>	<b>\$ 383,805</b>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Statement of Cash Flows - Accrual Basis**  
**PROPRIETARY FUNDS**  
For the year ended December 31, 2020

	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Cash flows from operating activities</b>			
Change in net position	\$ 17,379	\$ (4,135)	\$ 13,244
Adjustments to reconcile to net cash from operating:			
Depreciation	8,792	19,049	27,841
(Increase) Decrease in accounts receivable	668	2,711	3,379
Increase (Decrease) in accounts payable	13	(68)	(55)
Net cash provided by operating activities	<u>26,852</u>	<u>17,557</u>	<u>44,409</u>
<b>Cash flows from capital and related financing activities</b>			
Capital purchases	-	(23,872)	(23,872)
Increase (Decrease) in long term notes payable	<u>(11,000)</u>	<u>(11,000)</u>	<u>(22,000)</u>
Net cash provided by (used in) capital and related financing activities	<u>(11,000)</u>	<u>(34,872)</u>	<u>(45,872)</u>
Net increase (decrease) in cash and cash equivalents	15,852	(17,315)	(1,463)
Cash balances - beginning of year	<u>126,303</u>	<u>67,179</u>	<u>193,482</u>
Cash balances - end of year	<u>\$ 142,155</u>	<u>\$ 49,864</u>	<u>\$ 192,019</u>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents	<u>\$ 142,155</u>	<u>\$ 49,864</u>	<u>\$ 192,019</u>
Total cash and cash equivalents - end of year	<u>\$ 142,155</u>	<u>\$ 49,864</u>	<u>\$ 192,019</u>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Schedule of Indebtedness**  
For the Year Ended December 31, 2020

<b>Bonded Indebtedness</b>	<b>Interest Rate</b>	<b>Issue Date</b>	<b>Final Maturity Date</b>	<b>Outstanding January 1, 2020</b>	<b>Issued in 2020</b>	<b>Paid in 2020</b>	<b>Outstanding December 31, 2020</b>
<b>General Obligation Revenue</b>							
1995 Third Addition Improvement	5.38%	10/1/1997	1/1/2025	51,000	-	11,000	40,000
2010 Water Revenue Bonds	4.00%	9/1/2010	2/1/2026	80,000	-	11,000	69,000
General Obligation Revenue Note of 2015	1.00%	5/11/2015	8/20/2030	126,871	-	11,000	115,871
<b>Total Bonded Indebtedness</b>				<b>257,871</b>	<b>-</b>	<b>33,000</b>	<b>224,871</b>
<b>Long Term Debt</b>							
Freeborn Mower Coop Services Loan	3.25%	5/14/2019	6/1/2029	231,257	-	128,081	103,176
<b>Total Indebtedness</b>				<b>\$ 257,871</b>	<b>\$ -</b>	<b>\$ 161,081</b>	<b>\$ 328,047</b>

CITY OF HAYWARD, MINNESOTA  
**Schedule of Accounts Receivable**  
 For the Year Ended December 31, 2020

<u>Fund</u>	<u>Source of Revenue</u>	<u>Purpose</u>	<u>Amount</u>
Water	Customers	User Charges	17,969
Sewer	Customers	User Charges	12,994
<b>Total</b>			<b>\$ 30,963</b>

CITY OF HAYWARD, MINNESOTA  
**Schedule of Accounts Payable**  
For the Year Ended December 31, 2020

<b>Fund</b>	<b>Vendor Name</b>	<b>Item and Purpose</b>	<b>Amount</b>
<b>General</b>	Freeborn County Auditor	Election	\$ 1,171
	Waste Management	Garbage	87
	Bookkeeping Cents	Professional services	338
	Genos Plumbing	Repairs	277
	Freeborn Mower Coop Svs	Utilities	506
	Jaguar Communication	Telephone	56
<b>Street</b>	Home Depot	Repairs	14
	Jaguar Communication	Telephone	15
	Freeborn Construction	Repairs	300
	Kibble Equipment	Tractor expenses	69
	Freeborn Mower Cooperative	Street lights	378
<b>Fire</b>	Fire Saverty USA Inc	Capital expenditure	32,640
	Clarey's Safety Equipment inc	Capital expenditure	96,328
	Freeborn Mower Coop Svs	Utilities	60
	Waste Management	Garbage	15
	Auto Value of Albert Lea	Repairs	91
<b>Water</b>	Freeborn Mower Coop Svs	Utlities	539
	Raleighs Ace Hardware	Repairs	15
	Alden Pool & Municipal	Repairs	19
	Jaguar Communication	Telephone	10
<b>Sewer</b>	Freeborn Mower Coop Svs	Utilities	209
	Jaguar Communication	Telephone	47
	Utility Consultants	Testing	84
<b>Total</b>			<b>\$ 133,268</b>

**HILL, BENDA, SKOV & BERNAU, P. A.**

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INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

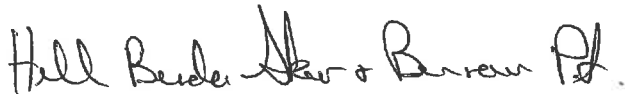
Members of the City Council  
Hayward, Minnesota 56043

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Hayward, Minnesota as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated April 12, 2021.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minnesota Statutes Sec 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and Tax Increment Financing. Our study included all of the listed categories, except that we did not test for compliance in Tax Increment Financing because the city has no Tax Increment Financing.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Hayward, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

This report is intended solely for the use of the City of Hayward, Minnesota and other state agencies and should not be used for any other purposes.



Hill, Benda, Skov & Bernau, P.A.

April 12, 2021